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South Africa

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Mr Nyeso Stanley George  
Senior Advisor  
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FOREWORD

The World Bank continues to work under a constrained environment, with staff delivering on the core mandate as well as robustly responding to the adverse impacts of the COVID-19 pandemic. I continue to appreciate my Angolan authorities with the support of the governments of Nigeria and South Africa for giving me the opportunity to lead the Constituency. In deep gratitude, I welcome the authorities’ “stand readiness” to provide the fuels as well as the bolts and nuts to ensure that the Constituency vehicle gets to the desired destination. I can assure the authorities that the confidence placed on me will not be betrayed and I will serve the three member countries to the best of my ability during the remainder of my term.

My work has been made a bit easier by the previous Executive Director who managed most of the Fast-Track Facilities offered by the World Bank Group to mitigate the impact of the pandemic especially at the most critical time. Upon assumption of office, together with my able and exemplary Alternate Executive Director, we have followed up with the resolutions for equitable and affordable access to vaccines as well as the provision for the acceleration of financial resources to provide liquidity for the most vulnerable countries. In the area of vaccine, most of our countries have received vaccine under the COVAX facility, and we are happy that our push for vaccine production in Africa is yielding fruits with the IFC’s Aspen initiative, and we are hopeful that soon other countries would benefit from similar projects from the WBG. We see this initiative as a potential game changer, and we are totally committed to its success. In the area of resource availability, we are happy with the support we have received so far from our authorities and the larger global community and look forward to a robust IDA20 Replenishment in December, in Tokyo.

Given the magnitude of the global impact of the pandemic, with the Middle-income countries (MICs) badly affected, we are equally reaching out to seek commitment from the WBG so that the (MICs) are not left out. There are still a lot more to be done and with my authorities’ kind and continued support, we can and should do more.

Finally, let me also use this opportunity to express my appreciation to my AED, Khathutshelo Todani, my staff Sipho, George, Gil, Gladys, Barbara and Nkem, who have all continued to be my co-passengers in this vehicle.

Armando Manuel
Executive Director for Angola, Nigeria, South Africa Constituency
The World Bank Group
Washington, DC
October 2021

ABBREVIATIONS

AEs
Advanced Economies

AVATT
African Vaccine Acquisition Task Team

CPF
Country Partnership Framework

DSSI
Debt Service Suspension Initiative

EMDEs
Emerging Markets and Developing Economies

FDI
Foreign Direct Investment

FY
Fiscal year

GDP
Gross Domestic Product

GRID
Green Resilient and Inclusive Development

IBRD
International Bank for Reconstruction and Development

IDA
International Development Association

IMF
International Monetary Fund

IPL
International Poverty Line

LMICs
Low – Income - Countries

LMICPL
Middle Income Class Poverty Line

MICs
Middle- Income - Countries

MIGA
Multilateral Investment Guarantee Agency

PPP
Purchasing Power Parity

REDISSE
Regional Disease Surveillance Systems Enhancement

SSA
Sub-Sahara Africa

SDGs
Sustainable Development Goals

WBG
World Bank Group

WCS
Working Capital Solutions

WEO
World Economic Outlook
EXECUTIVE SUMMARY

This Annual Report x-rays the global economic performance and outlook and the implications of emerging trends on Sub-Saharan Africa (SSA), particularly the EDS25 Constituency countries. According to the IMF’s World Economic Outlook (WEO) published in October 2021, the global economy is projected to grow by 5.9 percent in 2021, a marginal downward revision from the 6 percent estimated in the July 2021 WEO Update. It is expected that global growth will slow down to 4.9 percent in 2022. The pace of vaccination continues to be the critical driver of the ability of countries to open their economies and resume economic activity. In most Advanced Economies, especially the United States of America, the growth trajectory is strong with high vaccination rates of around 78 percent, enabling significant progress on opening the economy. For Emerging markets and developing countries (EMDEs), including low-income countries (LICs), progress in opening economies differs from one country to the other. For instance, while China has returned to its normal but moderated growth path of 5.5 percent; some others are experiencing some slowdown in the recovery path due to uptick in the pace of vaccinations which has also reduced economic activities which has been less than satisfactory.

SSA is expected to grow by 3.7 percent with the 3 countries in the EDS25 Constituency revised to grow at -0.7 percent, 2.6 percent and 5.0 percent for Angola, Nigeria and South Africa respectively, in 2021. These forecasts are predicated on vaccine availability, the recent uptick in commodity prices as well as attendant resumption in economic activities. However, vaccination rates, regrettably, remain extremely low in SSA, with only about 4 percent of the population vaccinated. Given increasing uncertainties about vaccine delivery schedules, there are fears of vaccine nationalism with vaccine production in Africa remaining the most credible option.

Total IFC commitment in Angola, as of October 2021, was $84.9 million and a disbursement amount of $10.0 million, totaling 7 private sector investments across SME finance through commercial banks, cement companies and insurance. MIGA involvement in Angola involves a total of six guaranteed projects. In Nigeria, the IFC financial exposure comprised 46 projects with an investment commitment of US$1,902.6 Million as of 30th June 2021. MIGA operations in Nigeria has a portfolio gross exposure of US$551.2 Million. In South Africa, the IBRD portfolio consists of 4 projects, which are valued at $374.9 million. IFC’s portfolio in South Africa stood at $2.4 billion by 31 August 2021. South Africa is MIGA’s largest client in Africa with a portfolio of US$1.6bn, and third largest client globally. During the year all the three countries Angola, Nigeria and South Africa had their Country Partnership Frameworks endorsed by the Board.

At the 2021 Annual Meetings, Governors discussed 2 main papers namely: “The World Bank Group Financing Green, Resilient and Inclusive Development -Towards a Post Pandemic Approach” and “Prevention, Preparedness and Response: The World Bank Groups’ Role in Future Crisis”. The Governors are also expected to receive the concluding Reports of the Executive Board on the 2020 Shareholding Review Exercise as well as the IDA Voting Rights Review.
CHAPTER 1 - ECONOMIC DEVELOPMENTS

OVERVIEW OF GLOBAL ECONOMIC DEVELOPMENTS

Recent data published by the IMF’s October 2021, World Economic Outlook (WEO) suggest that the global economic recovery continues, but at a moderated pace amid supply bottlenecks and pandemic resurgences in some major economies. With about 5 million recorded COVID-19 deaths globally, and very low vaccinations rates in many countries, health risks continue to pose serious constraints on the economic recovery. The global economy is projected to grow by 5.9 percent in 2021. This represents a marginal downward revision from the 6.0 percent projected in 2021, July WEO Update. Projection for 2022 remained unchanged at 4.9 percent. This marginal revision, however, camouflages large downward revision for some countries reflecting continued divergence of economic recoveries around the globe. Aggregate output for the advanced economy group (AEs) is expected to regain its pre-pandemic trend by 2022, while, excluding China, the emerging market and developing economy group (EMDEs) is expected to remain below the pre-pandemic forecast in 2024, with devastating consequences for the improvements in their living standards and achievement of Sustainable Development Goals (SDGs).

Table 1 • GDP Growth Projections, percent change

<table>
<thead>
<tr>
<th>Countries</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emerging and Developing Europe</td>
<td>-2.0</td>
<td>6.0</td>
<td>3.6</td>
</tr>
<tr>
<td>Russia</td>
<td>-3.0</td>
<td>4.7</td>
<td>2.9</td>
</tr>
<tr>
<td>Latin America and the Caribbean</td>
<td>-7.0</td>
<td>6.3</td>
<td>3.0</td>
</tr>
<tr>
<td>Brazil</td>
<td>-4.1</td>
<td>5.2</td>
<td>1.5</td>
</tr>
<tr>
<td>Mexico</td>
<td>-1.3</td>
<td>0.2</td>
<td>4.0</td>
</tr>
<tr>
<td>Middle East and Central Asia</td>
<td>-2.8</td>
<td>4.1</td>
<td>3.1</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>-4.3</td>
<td>2.8</td>
<td>4.8</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>-0.7</td>
<td>3.7</td>
<td>3.8</td>
</tr>
<tr>
<td>Nigeria</td>
<td>-1.8</td>
<td>2.6</td>
<td>2.7</td>
</tr>
<tr>
<td>South Africa</td>
<td>-0.9</td>
<td>5.0</td>
<td>2.2</td>
</tr>
<tr>
<td>Memorandum</td>
<td>-5.1</td>
<td>5.7</td>
<td>4.8</td>
</tr>
<tr>
<td>Emerging and Developing</td>
<td>-0.3</td>
<td>6.7</td>
<td>5.1</td>
</tr>
<tr>
<td>Emerging and Developing Asia</td>
<td>-0.8</td>
<td>7.2</td>
<td>6.3</td>
</tr>
<tr>
<td>China</td>
<td>2.3</td>
<td>8.0</td>
<td>5.6</td>
</tr>
<tr>
<td>India</td>
<td>-7.3</td>
<td>9.5</td>
<td>8.5</td>
</tr>
<tr>
<td>ASEAN-5</td>
<td>-3.4</td>
<td>2.9</td>
<td>5.6</td>
</tr>
</tbody>
</table>

As the global economy start opening at diverging speeds, serious supply chain bottle necks have emerged. This is generating the pandemic-induced supply-demand mismatches that continue to fuel more sustained price pressures and rising inflation expectations that is prompting a faster than-anticipated monetary normalization in some AEs and EMDEs. This will put additional brakes on economic recovery.

Multilateral efforts to speed up global vaccine access, provide liquidity and debt relief to constrained economies, and mitigate and adapt to climate change remain essential. At the national level, the policy mix should continue to be tailored to local pandemic and economic conditions, aiming for maximum sustainable employment while protecting the credibility of policy frameworks. Notwithstanding limited fiscal space, fiscal policy should prioritize health care-related spending while social spending should target the worst affected. Monetary policy should generally look through transitory inflation pressures and avoid tightening until there is more clarity on underlying price dynamics [WEO, October 2021].

ADVANCED ECONOMIES

The WEO, October 2021, growth projections for 2021 have been revised down compared to the July forecast, largely reflecting downgrades to the United States. The US downgrades largely reflects inventory drawdowns in the second quarter, and supply disruptions, and softening consumption in the third quarter. It also reflects downgrades in Germany in part because of shortages of key inputs weighing on manufacturing output and in Japan, reflecting the effect of the fourth State of Emergency from July to September as infections hit a record level in the current wave. The US outlook took into account the infrastructure bill and legislation to strengthen the social safety net, which amount to an equivalent of about $4 trillion in spending over the next 10 years.

EMERGING MARKET AND DEVELOPING ECONOMIES AND LOW-INCOME DEVELOPING COUNTRIES

EMDEs projections have been marked up slightly in the October 2021, WEO, compared to the July 2021 WEO Update, with upgrades across most regions. China’s projections for 2021 are marked down slightly due to stronger-than-anticipated scaling back of public investment. Outside of China and India, emerging and developing Asia is downgraded slightly due to a pick-up of the pandemic. Growth forecasts in other regions have been revised up slightly for 2021. The revisions in part reflect improved assessments for some commodity exporters outweighing drags from pandemic developments.

Uneven progress at vaccination has allowed for sharp resurgences of COVID-19 cases, often featuring new variants, which have dampened the recovery in many EMDEs, including low-income countries (LICs). Services activity remains feeble amid ongoing social distancing and lockdown measures, while depressed international tourism and travel weigh on services trade. Retail sales are stabilizing below pre-pandemic levels, reflecting renewed softness in countries grappling with high COVID-19 caseloads.
Private investment has been constrained by an earlier collapse in Foreign Direct Investment (FDI) and, in some cases, escalations in political tensions or heightened policy uncertainty. The pace of recovery has diverged across EMDE regions. A strong rebound in goods exports has underpinned activity in East Asia and Pacific (EAP), helping to offset soft domestic demand.

The growth projection for the low-income developing country group is at 3.0 percent in 2021, a downward revision of 0.6 percentage point relative to July, with the continuing slow rollout of vaccines as the main factor weighing on the recovery. Growth in 2021 is expected at 5.3 percent. Employment prospects for low-skilled workers and youth continue to be relatively bleak, suggesting rising inequality and vulnerability to incomes falling below extreme poverty thresholds.

### Table 2 • Real GDP Growth at market prices

<table>
<thead>
<tr>
<th></th>
<th>PROJECTIONS</th>
<th>DIFFERENCE FROM JULY 2021 WEO UPDATE</th>
<th>DIFFERENCE FROM APRIL 2021 WEO</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
<td>2021</td>
<td>2022</td>
</tr>
<tr>
<td>World Output</td>
<td>-3.5</td>
<td>5.7</td>
<td>4.7</td>
</tr>
<tr>
<td>Advanced Economies</td>
<td>-4.6</td>
<td>5.2</td>
<td>4.3</td>
</tr>
<tr>
<td>Emerging Market and Developing Economies</td>
<td>-1.9</td>
<td>6.5</td>
<td>5.0</td>
</tr>
<tr>
<td>Emerging and Developing Asia</td>
<td>0.1</td>
<td>7.4</td>
<td>8.0</td>
</tr>
<tr>
<td>Emerging and Developing Europe</td>
<td>-2.2</td>
<td>5.8</td>
<td>3.7</td>
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<td>-1.1</td>
<td>6.3</td>
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</tr>
<tr>
<td>Middle East and Central Asia</td>
<td>-4.2</td>
<td>3.9</td>
<td>3.9</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>-2.2</td>
<td>3.7</td>
<td>3.7</td>
</tr>
<tr>
<td>Memorandum</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>European Union</td>
<td>-6.6</td>
<td>5.0</td>
<td>4.3</td>
</tr>
<tr>
<td>Middle East and North Africa</td>
<td>-4.7</td>
<td>3.8</td>
<td>3.9</td>
</tr>
<tr>
<td>Emerging Market and Middle-Income Economies</td>
<td>-2.0</td>
<td>6.7</td>
<td>5.0</td>
</tr>
<tr>
<td>Low-Income Developing Countries</td>
<td>-0.1</td>
<td>3.3</td>
<td>5.2</td>
</tr>
</tbody>
</table>

Source: IMF staff estimates.

Note: The aggregate growth rates are calculated as a weighted average, in which a moving average of nominal GDP in US dollars for the preceding three years is used as the weight. WEO = World Economic Outlook.

1 Difference based on rounded figures for the current, July 2021 WEO Update, and April 2021 WEO forecasts.

### SUB-SAHARAN AFRICA ECONOMIES

Output in Sub-Saharan Africa (SSA) is expected to expand a modest 3.7 percent in 2021, and 3.7 percent next year. Positive spillovers from strengthening global activity, better international control of COVID-19, and strong domestic activity in agricultural commodity exporters are expected to gradually help lift growth. Growth is expected to resume in SSA this year, reaching 3.7 percent, and remain at 3.3 percent in 2022. This pickup is underpinned by stronger external demand from the region’s trading partners mainly China and the United States, higher commodity prices, and better containment of COVID-19. Despite the projected rebound, SSA will have the second-slowest growth this year among EMDE regions.

Although some countries have secured vaccine doses through the COVAX facility, procurement and logistical challenges are envisioned to further delay the already slow pace of vaccination in the region.

Policy uncertainty and the lingering negative effects of COVID-19 are also expected to delay some major investments in infrastructure and the extractives sector, and to weigh on the recovery (Central African Republic, Equatorial Guinea, Kenya, Niger. The regional forecast has been downgraded by an average 0.1 percentage point in 2021-22 below the January projections, mainly reflecting worse-than-expected weakness in investment, recurring bouts of conflict, and limited policy space to further support demand. Activity over the forecast horizon is now set to expand by 0.7 percentage point less than the average pace of 2010-19.
In per capita terms, income growth is forecast to remain subdued, averaging 0.4 percent a year in 2021-22, after a 5 percent decline last year. As a result, per capita income levels in 2022 will still be 4 percent, on average, lower than in 2019.

Conditions in the region’s fragile and conflict affected countries are expected to be particularly challenging, with the average per capita GDP level in 2022 projected to be 5.3 percent below its 2019 level. In about half of this subset of SSA countries, a decade or more of per capita income will be lost by the end of the forecast horizon.

The pandemic is also expected to worsen inequality through its negative effects on women, children, and unskilled workers (IMF 2021). Feeble per capita GDP growth will be insufficient to improve conditions significantly in a region where 40 percent of the population struggles with extreme poverty.

RISKS TO THE OUTLOOK

Risks to the forecasts are tilted to the downside. Some countries in SSA have invested in upgrades to national vaccine distribution systems (Ghana, Nigeria, South Africa). Nevertheless, persistent procurement, logistical hurdles, and vaccine hesitancy, in many other countries could delay widescale vaccinations more severely than assumed.

In South Africa, new outbreaks of a more transmittable strain of COVID-19 have contributed to the spread of the virus and slowed the distribution of vaccinations. Despite the strong scientific consensus that they are safe and effective, there is some skepticism about the vaccines among the public, with discouraging opinions of COVID-19 vaccines’ safety and efficacy. In addition to COVID-19, new Ebola outbreaks, if not contained, could spread and increase the viral threat in the region (Democratic Republic of Congo, Guinea).

Oil prices has continued to move up. In this scenario, some oil exporters could lose revenues, especially those that have structural capacity constraints and limited scope to quickly ramp up their production.

Rising conflicts and insecurity could also weaken recoveries. There are concerns that the humanitarian and economic toll of conflicts could dampen the projected growth pickup. Insurgencies and abductions in the Sahel, as well as political and electoral violence, could weigh more heavily on growth and erode the living standards of the most vulnerable people.

A sudden rise in sovereign borrowing costs could exacerbate fiscal pressures in some countries. Despite still-benign global financial conditions, sovereign borrowing costs have remained higher than before the pandemic in some countries (Angola, Ghana, Nigeria, South Africa).

OUTLOOK FOR THE EDS25 CONSTITUENCY COUNTRIES

Angola’s economy is projected to expand by 0.7 percent in 2021 and 3.3 percent in 2022, on the back of stronger oil prices and government consumption. Output is, however, not envisioned to regain its 2019 levels until toward the end of the forecast horizon. Oil production, which plummeted last year, has continued to show remarkable increase with OPEC+ cuts still being maintained. Fiscal pressures and increased policy uncertainty due to COVID-19 are expected to hamper the recovery by delaying critical investments to revamp aging oil fields and increase production capacity in the oil sector.

In Nigeria, growth which was initially projected to resume at a modest rate of 2.6 percent in 2021 and edge up to 2.1 percent next year, has been revised to grow at 2.4 percent in 2021 and 2.6 percent in 2022 with current oil price, a gradual implementation of structural reforms in the oil sector, and a market-based flexible exchange rate management. The expected pickup is also predicated on continued vaccinations in the second half of this year and a gradual relaxation of COVID-related restrictions that will allow activity to improve. Nonetheless, output in Nigeria is not expected to return to its 2019 level until end-2022.

In South Africa, following a sharp recession in 2020, growth is forecast to 5 percent this year and 2.2 percent in 2022, with the recovery benefiting from a gradual relaxation of COVID-19 restrictions and stronger metal prices. Although expansionary monetary and fiscal policies have buoyed activity, GDP will remain well below its 2019 level through 2022.
COVID – 19 AND THE GLOBAL ECONOMY

The ongoing pandemic continues to shape the path for global economic activity, with severe outbreaks continuing to weigh on growth in many countries. The most recent wave of COVID-19 is now centered in some EMDEs, where more transmissible and virulent strains are spreading and where vaccine access remains limited. In contrast, advanced economies have generally seen substantial vaccination progress, which has helped limit the spread of COVID-19.

Although vaccine procurement and distribution are expected to gradually accelerate over the forecast horizon, it will remain uneven in the near term, with bottlenecks in the equitable distribution of vaccines anticipated to weigh on the recovery in many EMDEs and LICs.

The pandemic continues to weigh heavily on tourism-dependent economies, such as small island countries. These countries are expected to continue experiencing the consequences of subdued international travel next year, which will delay the recovery, according to the United Nations World Tourism Organization, 2021. More generally, the recovery in EMDEs and LICs will not be sufficient to recoup earlier losses, until such time that the pandemic is reasonably under control. In the longer term, the EMDEs and LICs outlook will likely be dampened by the pandemic’s lasting legacies.

The pandemic also continues to negatively impact investments, both public and private, which is expected to remain well below pre-pandemic projections for a prolonged period, ultimately resulting in a smaller capital stock and lower productivity. Uncertainty regarding how long the pandemic will last, has heightened risk aversion with the potential of impeding private investment, whereas the need to unwind fiscal support in some EMDEs will constrain public investment. Sizable investment needs of many EMDEs, and particularly LICs, are likely to go unmet, putting development goals further out of reach.

The pandemic has also eroded earlier gains in human capital through its impact on health and education outcomes, and prolonged spells of unemployment. Beyond its direct effects on morbidity and mortality, the pandemic has also delayed essential primary health services and increased food insecurity, which could lead to higher maternal and early childhood deaths. These effects are also likely to weigh on longer-term productivity, as malnutrition early in life can permanently impair learning and
working abilities. This, combined with the deskilling associated with prolonged unemployment, could lead to sizable future earnings losses. In EMDEs, COVID-19 triggered a fall in working hours equivalent to the loss of roughly 200 million full-time jobs in 2020, with employment not expected to recover to pre-pandemic levels by 2022, particularly in LICs. The longer unemployment remains high, the more pronounced will be the loss of human capital.

In agricultural commodity exporters, growth is forecast to resume at a faster pace (Benin, Côte d’Ivoire, Ethiopia). Projections for a number of countries assume sustained investment in infrastructure, greater export diversification, and continued implementation of reforms to improve business environments (Rwanda, Senegal, Togo). However, output growth in agricultural commodity exporters over the next couple of years is projected to remain lower than the 2010-19 average.

POVERTY AND INEQUALITY IN ESD25 CONSTITUENCY COUNTRIES

Poverty and inequality in EDS25 Constituency countries started increasing pre-covid following the decline in commodities prices, and lately exacerbated by COVID-19 pandemic—not just on the EDS25 Constituency countries, but in most EMDEs and LICs.

According to the recent World Bank’s brief - Poverty & Equity Brief, October 2021, the Angolan poverty rate based on International Poverty Line (IPL) reached 49.9 percent, however, when using the Lower Middle Income Class Poverty Line (LMICPL) standards, the number goes to 71.5 percent. This reflects the consequences of the huge drop in the oil GDP, the low contribution of the non-oil sector propelled by exchange rate adjustments and increases in inflation. Regarding inequality, Angola Gini coefficient has increased to 51.3 percent. Poverty rate at IPL standards reached 39.1 percent in Nigeria and rise to and 71 percent at using LMICPL. Nigeria recent Gini coefficient stood at 35.1 percent. South Africa’s poverty rate, computed from the latest survey, conducted in 2014/2015, at IPL standards, reached 55.5 percent but is lower at 18.7 percent using LMICPL. South Africa is one of the most unequal countries in the world. The Gini index, at 63, is the highest among countries with available data.
CHAPTER 2 - WORLD BANK GROUP STRATEGY AND OPERATIONS IN CONSTITUENT COUNTRIES

ANGOLA OVERVIEW

IMPACT OF COVID-19

Notwithstanding, the strong COVID-19 protocols observed in Angola which has mitigated the domestic spread of corona virus, the impact of the pandemic on the Angolan economy has been severe, with an initial and sustained fall in the oil price at the beginning of the pandemic, though these prices have since then recovered. The COVID-19 crisis has exacerbated the pre-existing economic contraction combined with limited social protection that exposed the most vulnerable people to the detrimental effect of the virus and with negative consequences for employment and poverty. Moreover, it is concerning that the transmission of COVID-19 in Angola has been accelerating in recent months. Confirmed cases of COVID-19 exceed 58,000 as at October 1, with 1,567 deaths reported.

This year is the sixth consecutive year of negative economic growth. The COVID-19 crisis has exacerbated the negative impact businesses. While mobility almost recovered to pre-pandemic levels, the crisis has significantly impacted private enterprises and employment. A survey of 625 formal small and medium-sized enterprises conducted by the Central Bank (BNA) showed that 15.4 percent of businesses had temporarily suspended activities and 0.6 percent had permanently closed.

The Angolan labor market was also negatively impacted by the pandemic, though urban employment appears to have recovered in the third quarter of 2020. The overall employment rate of those aged 15 years or above declined to 59.7 percent in the third quarter of 2020, only slightly below the 60.9 percent in the same quarter of 2019.

Building resilience, and diversifying the economy by, amongst others, attracting FDIs in the non-oil sector is key but remains a challenge. Net FDI flows to Angola remained negative in the last three years, mainly due to disinvestments in the oil sector, owing to large repatriations of earnings by foreign parent companies and declines in oil production that affected new investments.

GOVERNMENT RESPONSE

The Angolan government took swift action to limit the spread of COVID-19 in the country. From March 27, 2020, the government put in place restrictions on international and domestic travel and mandated social distancing as part of the pandemic-induced state of emergency which is renewable every 28 days.

In addition, the Government adopted immediate measures to alleviate the negative impact of COVID-19 on businesses. Angola’s Development Bank (BDA) opened a credit line of Kz 26.4 billion to finance the purchase of locally produced agricultural and fishery products. The BDA also approved a credit facility of Kz 13.5 billion to finance the purchase of improved seeds, fertilizers, and pesticides by domestic agricultural companies, together with an additional credit of Kz 750 million to fund the modernization and expansion of agriculture and fishery cooperatives in the provinces.

Cash transfers were adopted as a key measure to alleviate poverty. With the support of the World Bank, the Government established a social protection registry and a cash transfer program to protect the most vulnerable. Pilots of this program, named Kwenda, are currently underway in several municipalities with about 5,800 families receiving transfers. The Government plans to expand this program, with a goal of reaching 1.6 million beneficiary households by the end of 2021.

STRATEGY WITH THE WORLD BANK

The National Development Plan 2018 – 2022 has six pillars and twenty-five development policies. Pillar 1 constitutes a central piece of the entire Plan, as the improvement of the well-being and the quality of life of the Angolan citizens, the reduction of poverty and inequalities and the promotion of human development are conditions essential for the country’s economic and social progress which is a priority for the Government.

Pillar 2 compliments Pillar 1, through sustainable and diversified economic development, but also inclusive, with the generation of employment opportunities, but also is supported by pillar three, through the provision of social infrastructure and pillar four, with the approximation between citizens and the Government and the reinforcement of democracy and the development of economic infrastructures. Pillar five guarantees the harmonious development, stability, and territory integrity, while pillar six deals with strengthening of Angola’s role in the international and regional context.

World Bank Group activities in Angola are guided by the Country Partnership Framework (CPF) that is aligned with the National Development Plan. The next CPF for Angola will cover the period of 2023 – 2027 and the Government and the WB have already started working on it and should be presented to the Board early 2022.

WORLD BANK PORTFOLIO PERFORMANCE

The World Bank has contributed to Angola’s development by providing support in various areas:

a. Human Capital

The Health System Performance Strengthening Project is targeting more than 200,000 people in five municipalities in which a Results-Based Financing pilot is being implemented.
The Learning for All Project envisages improving teacher’s skills and knowledge as well as school management in Project-designated areas. The project also envisages to develop a system for systematic student assessment.

**Figure 6 • Summary of IBRD Loans in Angola**

<table>
<thead>
<tr>
<th>Disbursed as of August 2021</th>
<th>2.547</th>
<th>1.038</th>
<th>1.503</th>
<th>1.039</th>
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<tr>
<td>Original Principal Amount 2021</td>
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<td></td>
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<tr>
<td>Disbursed Amount</td>
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<tr>
<td>Undisbursed Amount (2021)</td>
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<td></td>
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<tr>
<td>Borrower’s Obligation (2021)</td>
<td></td>
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</tr>
</tbody>
</table>

Source: WBG Angola Country Office

**a. Water**

The first and second phase of the Water Sector Institutional Development Program (WSIDP), also known as PDISA is designed to strengthen the institutional capacity of selected water sector agencies and increase water service coverage in target cities.

**a. Social and Economic Infrastructure**

The Angola Social Action Fund, commonly known as “Fundo de Apoio Social” (FAS), has been the main World Bank Group (WBG) support program that contributes to promoting decentralization and is being implemented in various phases since 1994. The project has improved poor communities’ access to basic social and economic infrastructure and provision of services.

**Figure 7 • Sectoral distribution of WBG Portfolio in Angola**

- Central Government
- Social Protection
- Health
- Water Supply
- Sub-National Government
- Other Water Supply, Sanitation and Waste Management
- Sanitation
- Other Education
- Other Public Administration
- Agricultural Extension, Research, and Other Support Activities

**a. Agriculture**

The Market Oriented Smallholder Agriculture Development Project (MOSAP) supports beneficiaries by providing training and new technologies, improving their organizational and marketing skills, and enhance their access to extension services and agricultural inputs.

From March to July 2021, the World Bank has approved four projects.

- Angola COVID-19 Strategic Preparedness and Response Project — The $150 million project’s development objectives are to prevent, detect and respond to the threat posed by COVID-19 and strengthen national systems for public health preparedness.
- Girls Empowerment and Learning for All — The $250 million project aims to empower Angolan youth, especially girls, and to improve learning quality for all.
- Second Angola Growth and Inclusion Development Policy Financing — The $700 million project’s objective is to support the Government to achieve more sustainable and inclusive growth, through i) a macro-financial and institutional environment that is conducive to private-sector led growth; and ii) financial and social inclusion.
- Angola Electricity Sector Improvement — The $250 million project’s development objectives are to improve the operational performance of the electricity sector utilities and increase electricity access in selected cities.
ANNUAL REPORT 2021 | Angola, Nigeria and South Africa

IFC PORTFOLIO

IFC opened an office in Angola in 2019 and soon after launched the Country Private Sector Diagnostic (CPSD) which has identified opportunities in key areas where private investment could play a pivotal role in opening the economy and driving growth.

As in October 2021, the total IFC commitment in the country was $84.9 million and a disbursement amount of $10.0 million in 7 private sector investments across SME finance through commercial banks, cement companies and insurance.

It has also provided advisory services to a commercial bank, Banco Millennium Angola, with a loan of about $1.3 million to develop and strengthen its SME and Banking on Women program and improve access to finance opportunities for local SMEs, including women owned.

In July 2021, IFC appointed Carlos A.T. Katsuya as its new Senior Manager for Angola, Botswana, Mozambique and Zambia. In this role, he will be leading IFC’s work across the four countries to strengthen the private sector, create jobs and opportunities, and help businesses and economies recover from the effects of COVID-19.

MIGA PORTFOLIO

MIGA involvement in Angola comprise of six guaranteed projects. A total of $526.7 million guarantee was issued to HSBC Bank Plc. (“HSBC”) of the United Kingdom for the “Cambambe Hydroelectric Project”, to cover the risk of Non-Honoring of Sovereign Financial Obligations by the Government of Angola under an Interest Rate Swap (IRS) arrangement. The coverage is for a period of 10 years, and on March 25, 2019, MIGA increased the IRS guarantee by $1.6 million, leaving the tenor of the guarantee unchanged.

NIGERIA

IMPACT OF COVID-19 AND ECONOMIC OUTLOOK

The COVID-19 pandemic has worsened the plight of families living in poverty in Nigeria as many people are struggling to afford food and meet other basic needs. Despite efforts of government on cash transfers and food supply assistance, which covers only a minor fraction of the poor, the crises have highlighted a critical need for a functioning social security system to allow all Nigerians achieve adequate standard of living.

According to the data from Nigeria Centre for Disease Control (NCDC), 205,779 positive cases has been recorded as of September 30, 2021, with 2,721 Deaths, 193,631 Discharged and 9,427 Active Cases. The daily epidemic reports indicate that Nigeria, like many other countries, is battling the 3rd wave of the pandemic.

On vaccination, in March 2021, Nigeria received the first batch of about 4 Million Astra Zeneca Vaccine through the WHO funded COVAX facility, out of the 43 Million that was promised by the program. An additional 4,080,000 doses of Modena vaccine were donated and delivered by the United States in August 2021. Furthermore, the legislature recently approves US$2.4 Billion additional funding to procure COVID-19 vaccines and equipment for the military. The total doses of vaccine given in Nigeria currently is about 6.55 Million, fully vaccinated persons are 2.47 Million which constitutes about 0.9 percent of the population. The rest have had only single dose awaiting complete vaccination. The authorities aim to vaccinate 40 percent of its population, 80 people by the end of this year 2021 and another 30 percent by the end of 2022. But the greatest challenge is ‘Access to Vaccine’.

The COVID-19 pandemic contributed significantly to Nigeria 2020 economic recession, reversing three years of recovery from fall in oil prices. The COVID-19 containment lockdown led to further contraction and it was estimated that the overall GDP would shrink by 3 percent in 2020 but the actual numbers turned out to be a smaller contraction of 1.8 percent due to mitigating measures of the Economic Sustainability Program (ESP). However, there has been persistent increase in inflation, rising from 11.4 percent in 2019 to 17.38 percent in June 2021 mainly due to escalating insecurity affecting food production and devalued exchange rate which constrained domestic supply, and thereby fueled higher food prices. In addition, the removal of subsidies and increase in electricity tariffs added further inflationary pressures. The fiscal deficit, which was financed mostly by domestic and foreign borrowing, widened – reflecting pandemic related spending and revenue shortfall.

The Nigerian economy is expected to grow by 2.6% in 2021, rising slightly to 2.7% in 2022 according to the October 2021 IMF WEO, based on expectation of sustained recovery in oil price and production. However, there is high uncertainty about the outlook. The recovery would be driven by rise in oil exports and domestic demand. However, unexpected shock to oil prices could threaten the modest growth projected. In addition, high inflation and high unemployment exacerbates the macroeconomic risks. By the end of 2021, Nigeria’s GDP is likely to approach the 2010 level, thus reversing a full decade of years of recovery from fall in oil prices. The COVID-19 containment lockdown led to further contraction and was estimated that the overall GDP would shrink by 3 percent in 2020 but the actual numbers turned out to be a smaller contraction of 1.8 percent due to mitigating measures of the Economic Sustainability Program (ESP). However, there has been persistent increase in inflation, rising from 11.4 percent in 2019 to 17.38 percent in June 2021 mainly due to escalating insecurity affecting food production and devalued exchange rate which constrained domestic supply, and thereby fueled higher food prices. In addition, the removal of subsidies and increase in electricity tariffs added further inflationary pressures. The fiscal deficit, which was financed mostly by domestic and foreign borrowing, widened – reflecting pandemic related spending and revenue shortfall.

The world Bank group strategy in Nigeria

The CPF for Nigeria (FY21 – FY25) was approved by the Board on December 14, 2020. The strategy focus of the CPF is aligned with the priorities of the Government of Nigeria’s Medium-Term National Development Plan and the Fiscal Sustainability Plan (FSP) and provides adequate framework to support the Government’s vision of accelerated economic growth with better employment opportunities. The CPF reflects the new realities of COVID-19, and supports Nigeria’s short-term development agenda. It has four core objectives spread over 17 Engagements areas.
Nigeria fully paid for the 2018 Capital Increase of both IBRD and IFC on 9th February 2021. This brought the total shareholding of the country to 19,416 shares with 0.69 percent voting power in IBRD and 270,840 shares with 1.05 percent voting power in IFC as of 30th March 2021. In addition, the constituency voting power was improved to 1.61 percent and 1.91 percent in IBRD and IFC respectively.

WORLD BANK GROUP PERFORMANCE IN NIGERIA

The World Bank Portfolio in Nigeria as of 31st August 2021 consisted of 32 active projects from both IDA and IBRD with a total commitment of approximately US$12.2 Billion. The portfolio includes 2 IBRD projects with a commitment amount of US$1,000 Million and 2 regional IDA project with a commitment of US$192.40 Million.

The summary of portfolio indicates an undisbursed balance of US$8,550 Billion which is about 70.0 percent of the entire portfolio. The portfolio also has 7 IPF lending projects that may be exiting IDA and IBRD with a total commitment of approximately US$12.2 Billion. The portfolio includes 2 IBRD projects with a commitment amount of US$1,000 Million and 2 regional IDA project with a commitment of US$192.40 Million.

The IFC financial exposure in Nigeria comprised of 46 projects with an investment commitment of US$1,902.6 Million as of 30th June 2021. The portfolio summary includes 67 percent volume in Financial Markets, 25 percent in Manufacturing Sector, 5 percent in Infrastructure and 3 percent in Disruptive Technology Fund. Further breakdown of the portfolio indicates that the committed exposure is made up of loans amounting to US$1,538.5 Million, and equity of US$128.1 Million. Undisbursed amount stands at US$236.0 Million. The top three IFC portfolio clients by commitment in Nigeria are Access Bank Plc., Zenith Bank Plc., and Indorama Eleme Fertilizer and Chemical Limited (IEFCL).

IFC PIPELINE ACTIVITIES

IFC pipeline activities for Nigeria are on three key sectors as identified in the CPF. These pipelines aim at creating markets and opportunities to support export diversification and import substitution, which are both key development priorities for the country. The sectors are energy, gas-to-industries and digital economy. In addition, Nigeria was classified an FCS country in early 2020 and therefore will continue to have access to the IDA Private Sector Window to address fragility and risk mitigation.

Despite the high un-disbursement challenge, there are some projects with outstanding performance progress towards achieving the development objectives in Nigeria. These include the following:

1. Nigeria Erosion and Watershed Management Project (NEWMAP) which is supporting Nigeria to build defenses against climate change through Adaptation, Mitigation and Resourcing for the future with remarkable evidence in reducing gully erosion at 63 sites, introduction of new technology in digitalizing EIA and benefitted over 10,000 persons directly and indirectly;
2. States Fiscal Transparency and Accountability and Sustainability (P4R) which focuses on strengthening the foundation of the Public Sector which has led to improvement in citizens engagement and budget processes; and
3. Agro-Processing Productivity Enhancement and Livelihood Improvement Support Project (APPEALS) which has positively impacted a total of 40,824 direct beneficiaries, representing 68% of the Project target by mid-term of the project.

IFC OPERATIONS, CHALLENGES AND PROSPECTS

IFC Portfolio strategy in Nigeria is focused on three priority sectors and involves both investment and advisory, including joint work with the World Bank. These sectors are Energy, Agriculture, and Finance and Insurance. IFC is committed to Nigeria, in support of a private sector-led and diversified growth to bolster job creation. Nigeria was the first African country that benefited from IFC COVID-19 response; it explored and delivered on a combination of financial products which includes trade finance lines, risk sharing facilities and short term funded lines.

The IFC investment in Nigeria comprised of 46 projects with an investment commitment of US$1,902.6 Million as of 30th June 2021. The portfolio summary includes 67 percent volume in Financial Markets, 25 percent in Manufacturing Sector, 5 percent in Infrastructure and 3 percent in Disruptive Technology Fund. Further breakdown of the portfolio indicates that the committed exposure is made up of loans amounting to US$1,538.5 Million, and equity of US$128.1 Million. Undisbursed amount stands at US$236.0 Million. The top three IFC portfolio clients by commitment in Nigeria are Access Bank Plc., Zenith Bank Plc., and Indorama Eleme Fertilizer and Chemical Limited (IEFCL).

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MIGA OPERATIONS, CHALLENGES AND PROSPECT

MIGA operations in Nigeria has a portfolio gross exposure of US$514.2 Million. The Guarantee which covers 6 projects which includes two in Manufacturing, three in Infrastructure, and one in the Finance sector.

MIGA is working to expand its support for cross-border investments into Nigeria through close coordination with the World Bank and IFC. MIGA is exploring opportunities to support real sector and financial sector projects using its political risk insurance instrument, in addition to actively seeking out opportunities to support the energy sector especially mini-grid and off-grid operators. In the wider real sector, MIGA hopes to build on its experience from supporting the glass manufacturing and would pursue opportunities in agribusiness, infrastructure, and manufacturing.

SOUTH AFRICA

IMPACT OF COVID-19

The COVID-19 pandemic continues to have a negative impact on South Africa. By end of September 2021, the country had just exited a third wave of the pandemic. The country had registered 2.9 million cases by end September, with 87 thousand fatalities. The government is undertaking an aggressive vaccination rolling out program, with 17 million doses of the vaccines administered, resulting in 14percent of the population fully vaccinated.

The impact of COVID-19 on the economy continues to be severe. South Africa’s GDP contracted by 7.0percent in 2020 due mostly to the impacts of lockdowns that were required to contain the spread of the virus. The COVID-19 crisis has put additional pressure on public finances. The budget deficit is estimated to have reached 14percent of GDP in 2020, resulting in public debt of 80.5percent of GDP.

Economic growth is expected to rebound in 2021, but the medium-term outlook remains uncertain. The IMF projects GDP to grow by 5percent in 2021, slowing to 2.2percent in 2022. The rebound in growth in 2021 will be supported by a strong global recovery, with notable improvement in South Africa’s terms of trade from 2020. However, structural constraints, such as electricity supply challenges, continue to hamper the medium-term outlook.
The four projects in the portfolio are as follows:

- Eskom Renewable Support Project - $250 million
- Land Bank - $93 million
- Carbon Capture and Storage - $23 million
- Financing and Capacity for Biodiversity - $8.9 million

The Bank has significant knowledge product portfolio in South Africa with 29 advisory services and analytics (ASAs). Of these 29 ASAs, 9 are funded through Reimbursable Advisory Services (RAS). Furthermore, 16 of these ASAs will be closing in FY22.

**IFC PORTFOLIO**

IFC’s portfolio in South Africa stood at $2.4 billion by 31 August 2021. With this size of the portfolio, South Africa is now the largest exposure for the IFC in Africa.

IFC’s portfolio has grown significantly over the last couple of years, with a record year of commitment in the last financial year ending on June 30, 2021 (i.e., FY21). In FY21, IFC had a total commitment of $1.7 billion in South Africa which was made up of $768 million committed from IFC’s own funds and $990 million mobilized from co-investments from IFC’s partners. The total commitment provided to South Africa in FY21 was the second highest IFC’s commitment globally in the year.

The IFC portfolio in South Africa is concentrated mostly in the financial services at 59 percent, followed by manufacturing at 31 percent. Notable projects in the financial sector include finance to First Rand of $500 million in 2017 for SME program and funding to Standard Bank of $384 million in 2020 for green bonds. Notable projects in the manufacturing sector are the recently approved support to Aspen of EUR700 million for COVID-19 vaccines and to BMW for $88.5 million in 2017.

The World Bank Group portfolio in South Africa is dominated by the IFC and MIGA, with the IBRD having a limited portfolio that is mostly on knowledge products.

**IBRD PORTFOLIO**

The IBRD portfolio in South Africa consists of 4 projects, which are valued at $374.9 million. However, due to a variety of reasons, these projects have not disbursed much, with funds disbursement currently at 61.81m (i.e., disbursement rate of 16.89 percent).

The IBRD portfolio in South Africa has declined significantly following the closing of the large Eskom project, valued above $3 billion, at the end of June 2021. Two of the projects currently in the portfolio will also close in the current financial year (i.e., Eskom Renewable Support Project on Dec 2021, Land Bank on 1 April 2022).

**WBG PORTFOLIO PERFORMANCE**

The World Bank Group portfolio in South Africa is dominated by the IFC and MIGA, with the IBRD having a limited portfolio that is mostly on knowledge products.

**STRATEGY OF THE WBG**

The Executive Board approved in July 2021 a new CPF for South Africa, covering the period of FY22-26. The CPF’s overarching goal is to support South Africa in stimulating investment and job creation to achieve economic and social convergence for an inclusive and resilient society.

The CPF’s three strategic focus areas support the government’s vision to move towards a new socio-economic transformation model and are designed to respond to the COVID-19 impact in the short run. The 3 areas are:

- **Promoting increased competition and improving business environment for sustainable growth**
  This will be achieved through supporting government program to improve the competition framework and the business environment. Work will also support greater climate change resilience and environmentally sustainable investments in selected sectors.

- **Strengthening MSME and skills development to support job creation.**
  This will support government’s programs for job creation and development of selected value chains. Support will also be on strengthened ecosystem for MSME creation and growth and supporting employment and skills development services.

- **Improving infrastructure investment framework and selected infrastructure services.**
  The WBG will support government to improve infrastructure investment framework, enhance infrastructure services by selected SOEs and strengthen planning and delivery of infrastructure services in targeted cities.

The CPF includes Governance, Gender and the Digital Economy as cross-cutting themes.
MIGA PORTFOLIO

MIGA provides insurance cover to foreign institutions investing in South Africa. South Africa is MIGA’s largest client in Africa with a portfolio of US$1.6bn, and third largest client globally.

MIGA’s program in South Africa focuses on:


- Supporting of lenders to Eskom, DBSA, Land Bank through credit enhancements. These loans have facilitated infrastructure investments and financial inclusion across the country and continent.

MIGA also provides cover to South African institutions that are undertaking investments in other countries. Through this program, MIGA is supporting US$1.1 billion of South African investment in Africa, with 27 guarantees in 13 countries across Africa. MIGA also supported the operations of two major South African banks across Sub-Saharan Africa, enabling them to maintain or expand access to credit, including in Mozambique, Nigeria, and Zambia.
CHAPTER 3 - WORLD BANK GROUP UPDATES

UPDATE ON COVID 19

Over the last eighteen months, the WBG has committed US$157 billion, the largest crisis response in its history, to protect the poor and vulnerable, support small and medium enterprises, provide social protection, and preserve and create jobs, while helping well over 100 countries on emergency health response and strengthening health systems. Despite the WBG timely interventions, the pandemic reversed progress toward the twin goals of ending extreme poverty and achieving shared prosperity in a sustainable manner, and toward the achievement of the SDGs. It is estimated that about 100 million people have fallen into extreme poverty in 2020-2021. Large number of productive jobs have been lost, predominantly for women, and informality, underemployment, and food insecurity have increased. Children, especially girls, have lost schooling, with devastating long-term consequences for human capital and productivity. Because vaccines are critical to saving lives and restarting economies, World Bank financing has been used to purchase and distribute approved vaccines through COVAX, the African Vaccine Acquisition Trust (AVAT), and directly from manufacturers. Nonetheless, significant challenges remain in equitable vaccine distribution. Less than two percent of adults are fully vaccinated in most LICs, while modest and limited progress is being made in many MICs. Efforts of the WBG, IMF, WHO, and WTO task force to accelerate the delivery of COVID-19 vaccines, to help resolve impediments to scaling up vaccine production, and to promote effective deployment in LICs and MICs are commendable, and so is the work of the task force to promote country readiness by addressing operational bottlenecks.

IBRD

The World Bank operations in FY21 took place in the context of an evolving COVID-19 pandemic that is wiping out development gains achieved by countries in recent years. Action against the pandemic required public health measures (e.g., lockdowns) that affected economic activity, and thus worsening poverty and joblessness.

The IBRD has stepped up its effort to assist client countries and for long-term development purposes. IBRD new commitments for FY21 were $30.5 billion. This level of lending in FY21 necessitated the use of part of the IBRD Crisis Buffer. The disbursement of committed resources to clients is very important in the current economic environment. IBRD disbursement increased from $20.2 billion in FY20 to $23.7 billion in FY21. The regional breakdown of the IBRD financing is shown in Figure 10.

Helping countries manage the specific impact of COVID-19 is very important and the IBRD provided support to clients exclusively for the pandemic response (e.g., medical equipment for testing, vaccines etc.). The IBRD committed $29.5 billion for pandemic specific support between April 2020 (close to the start of the pandemic) to June 2021. Of this funding, $12.7 billion has been disbursed to countries.

Funding to countries for the purchase and deployment of vaccines is critical, particularly in regions such as SSA with low vaccination levels. In June 2021, the Bank financing envelope for COVID-19 vaccine was increased to $20 billion over the next 18 months, adding $8 billion to the previously announced $12 billion. As at the end of July 2021, the World Bank approved $4.6 billion in financing for vaccine acquisition and/or deployment in 54 countries.

The World Bank is working closely with the Africa Vaccine Acquisition Task Team (AVATT) to design a mechanism to allow greater use of World Bank financing to access safe and effective COVID-19 vaccines to achieve the goal of 60 percent vaccination in Africa. An agreement has been achieved with J&J to deliver up to 400 million doses through 2022 to Africa. To date, 32 of the 41 countries on the African continent with approved or pipeline World Bank operations have requested doses through AVATT.
IDA

Discussions towards IDA 20 are progressing satisfactorily with the second meeting of IDA Deputies and Borrower Representatives having taken place on June 28-30, 2021 to discuss the IDA20 policy priorities, results framework, and the financing package. The meeting deliberated and fully endorsed the ten papers that were presented, each covering critical aspects of IDA20’s five Special Themes and four Cross-Cutting Issues, the IDA20 Results Measurement System (RMS), as well as the Request for Resources and Financing Framework. The five special themes are Human Capital, Climate Change, Fragility Conflict & Violence, Gender and Development, and Jobs and Economic Transformation. The cross-cutting issues are Governance and Institutions, Crisis preparedness, Debt and Digital Technology. Discussions are also on-going on the proposed financing framework around three scenarios of $85 billion, $90 billion and $95 billion. Based on the feedback and endorsements received, Management committed to further explore options to strengthen the IDA20 narrative and refine policy commitments with a view to presenting these in the draft IDA20 Deputies Report in the 2021 October IDA Meetings. The October meeting would also develop and present scenarios that will propose an ambitious IDA20 financing envelope exceeding $90 billion, with donor contributions at Base Case level of $24.9 billion. Management will continue exploring further Balance Sheet Optimization measures, while continuing to adhere to the principles of protecting IDA’s long-term financial sustainability and safeguarding the institution’s AAA rating.

IFC

COVID-19 RESPONSE

IFC has been working in solidarity with partners at global and country levels to support its developing member countries, in response to the global COVID-19 pandemic. IFC’s operational response involved three stages: a) Relief stage that involved emergency response to the health threat, b) Restructuring stage that focused on strengthening health systems, restoring human capital, and restructuring of firms and sectors, and c) Resilient recovery stage that entailed new opportunities to build a more sustainable, inclusive and resilient future. Each stage is structured through four thematic crisis response pillars: i) Saving lives, ii) Protecting the poor and vulnerable, iii) Ensuring sustainable business growth and job creation, and iv) Strengthening policies, institutions, and investments. In FY21, IFC has committed $8.5 billion in financing, outside of the COVID Facility, to support clients in response to the crisis.

INVESTMENT OPERATIONS

In FY21, IFC committed $12.5 billion in long-term investments from its Own Account and $10.8 billion in Core Mobilization – a total of $23.3 billion in long-term finance (LTF). This is 6 percent higher than amount committed in FY20. These investments supported 312 LTF projects in developing countries. In addition, IFC extended $8.2 billion in short-term trade finance (STF) in FY21 – 26 percent higher than FY20. In total, IFC had a combined delivery of LTF and STF of $31.5 billion in FY21 – 11 percent higher than FY20. IFC disbursed $11.4 billion from its own account in FY21 compared with $10.5 billion in FY20. Committed portfolio (sum of i) committed but undisbursed balance; and ii) disbursed and outstanding balance) increased from $59.8 billion in June 30, 2020 to $62.5 billion in June 30, 2021.

In March 2020, IFC’s Board of Directors approved a Fast-Track COVID-19 Facility (COVID Facility) in the amount of $8 billion, as part of a WBG crisis response package. In February 2021, the Board approved an extension of the COVID Facility dedicated to the Base of the Pyramid Program for $400 million. Under the COVID Facility, IFC committed $2.3 billion and $3.5 billion in FY21 and FY20 respectively. Beyond this immediate response, IFC has been working with countries to restructure and promote a recovery that is sustainable, inclusive, and climate smart. This means directly helping firms become more resilient — to survive, bounce back, and accelerate their post-crisis recovery to bring back jobs and livelihoods.
**MIGA**

**STRATEGY**

MIGA Covid-19 Response Program Strategy is to help countries and companies respond to the COVID-19 Pandemic and associated wider economic impact by supporting the WB and IFC in meeting the capital package commitment. MIGA has increase the proportion of Guarantee in IDA, FCV and support for climate finance. MIGA FY21-FY23 strategic focus is on four priority areas which are to deepen impacts in IDA and FCV States, complement market creations, take lead on global issues, and generally improve on their business model. The strategies will be executed through innovative and new products, closer collaboration with other WBG members, deepen partnership with other MDBs and Export Credit Agencies (ECAs) and through deploying comprehensive products and solutions to tackle development challenges.

**OPERATIONS AND IMPACT**

In FY21 while MIGA was primarily focused on the immediate COVID-19 response, it continued to facilitate foreign direct investment (FDI) into developing countries by supporting several highly impactful projects. In the fiscal year 2021, the Agency issued $5.2 billion of new guarantees in support of 40 projects across the globe, and 85% of these projects addressed its priority focus areas. MIGA has step up its support to SSA to help promote sustainable development across the region. In this context, MIGA supported 16 projects in FY21 and issued guarantees for $512.5 million, bringing the Gross Portfolio in SSA region to US$6.47 Billion.

**MIGA PORTFOLIO IN SSA**

<table>
<thead>
<tr>
<th>MIGA’S IMPACT IN SUB-SAHARAN AFRICA (FY15-FY21)</th>
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<tr>
<td><strong>28,824</strong> direct jobs supported</td>
<td><strong>16,445 GWh</strong> in expanded power generation</td>
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<tr>
<td><strong>$629.6 million</strong> in locally procured goods per year</td>
<td><strong>26.3 million</strong> people with new or improved power services</td>
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<td><strong>$1,928.7 million</strong> in taxes paid per year</td>
<td><strong>9.6 million tons</strong> CO2e avoided per year</td>
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<td><strong>1.4 million</strong> new subscribers to telecom services</td>
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Source: MIGA FY21 Q4 Report for Board Discussion

MIGA’s impact report in SSA for FY15-FY21 includes direct job creation, power generation expansion, new telecommunication services amongst others. In the EDS25 Constituency, key MIGA’s investments in FY21 includes the solar and wind plants in South Africa, and the issuance of guarantees of up to US$235 million to First Rand which is a wholly owned subsidiary of South Africa’s FirstRand Group, for a period of up to 15 years. The Guarantee was issued against the risk of expropriation covering their subsidiaries’ mandatory reserves held as per regulatory requirements in Botswana, Eswatini, Ghana, Lesotho, Mozambique, Nigeria, and Zambia.

MIGA’s guarantees scheme reduces the risk-weighting of the subsidiaries’ mandatory minimum reserves on FirstRand’s balance sheet. FirstRand will use the freed-up capital to sustain the lending activities of its subsidiaries. In the long term, this will lay the foundation for credit growth to sustain economic activity and employment.

In view of the fiscal stress in many SSA economies, MIGA’s capital optimization product is particularly important now, as it helps build resilience within the countries through the continued supply of credit for longer term. The Constituency expect to see more feasible deployment of these MIGA instruments in its member countries under the FY21 – FY23 Strategy.
CHAPTER 4 - DEVELOPMENT COMMITTEE

The Development Committee met on October 15 in a hybrid mode were some DC members attended in-person and other virtually. The Constituency was represented in the meeting by the Nigerian Minister, Honorable Zainab Ahmed.

AGENDA OF THE MEETING:

The agenda of this meeting included the following issues:

- How WBG can support countries for green, resilient and inclusive development (GRID) and recovery.
- Role of the WBG in helping countries cope with future crisis.
- Governors were also be updated on the conclusion of the following governance reform processes:
  - 2020 Review of the IBRD and IFC shareholding.
  - IDA voting rights review.

CONSTITUENCY POSITIONS ADVANCED AT THE MEETING:

The Constituency supported a balanced approach by the WBG in financing the GRID, including flexibility on the issue of fossil fuels related energy projects, such as gas. On the role of the WBG in future crisis, the constituency supported a stronger role by the WBG to help countries build resilience. This is because many developing countries have limited buffers against the increasing frequency of crisis (e.g., economic shocks, health pandemics, climate change).

On governance issues, the constituency supported the recommendation that has been made by the Executive Board to conclude the 2020 Review of IBRD/IFC shareholding without making adjustments to countries shareholding and voting power. The constituency also supported the new IDA voting framework with new membership structure and pricing.
CHAPTER 5 - CONSTITUENCY NEWS

OUTREACH TO ANGOLA

As Executive Director (ED) of the 25th World Bank Constituency, the ED has a dual responsibility: i) to exercise fiduciary responsibility and act in the best interest of the organization, and ii) to represent the interests and concerns of the Constituency members countries at the WBG Boards, as well as assist in their efforts to reduce poverty and promote shared prosperity.

In this regard, one of his duties is to visit the countries he represents during his term, to consult with Governors and report on the Bank’s policies. From August 9 to 15, 2021, the ED Armando Manuel traveled to Angola, where he met with the Governor of the World Bank for Angola, Her Excellency Vera Daves, the Minister of Economy and Planning and Alternate Governor of the World Bank to Angola, His Excellency Sergio Santos, the Minister of Health, Her Excellency Silvia Lutucuta, the Minister of Agriculture, His Excellency António Francisco de Assis and with the Secretary of State for Professional Technical Education, His Excellency Gildo Matias and with the Secretary of State for Water, His Excellency Lucrécio Costa.

The ED’s visit to Angola began with a meeting with the World Bank Regional Director for Angola, Burundi, Democratic Republic of Congo and São Tomé and Príncipe, Mr. Jean-Christophe Carret and his staff from the local World Bank office in Luanda. During this meeting, the ED briefed the country office on developments in the Constituency, and he was also briefed on World Bank involvement and other developments in Angola. Various issues were raised with the authorities in these meetings, including, the impact of COVID-19 on the Angolan economy and its consequences, the new IDA voting rights system proposal, and the Human Capital agenda.

Furthermore, the ED was invited by the Minister of Agriculture to visit the Angola Smallholder Agricultural Development and Commercialization Project MOSAP II, in Malanje Province. The Minister expressed satisfaction on how the project is being implemented and the positive results it has achieved for the beneficiaries. Minister also indicated to ED the Government’s willingness to approach the World Bank for the possibility of a future MOSAP III.
OUTREACH TO NIGERIA

The Executive Director, Mr. Armando Manuel undertook a weeklong constituency visit to Nigeria on July 26, 2021 to share his vision for the constituency with the Nigerian authorities and to consult on some on-going Board engagements. As part of the visit, the ED met with the country Teams of both the WB and the IFC as well as with a cross section of Private sector operators. The visit was rounded up with a field visit to two World Bank assisted Community and Social Development Projects (CSDP) in Kuje and Mabushi communities — all in Abuja, to see the projects and interact with the beneficiaries of the projects. The ED also paid a courtesy call to the Angolan Ambassador to Nigeria.

OUTREACH TO SOUTH AFRICA

The Executive Director undertook a country visit to South Africa on Sept 6 – 10. He was accompanied by the Alternate Executive Director, Khathu Todani, and the Senior Advisor, Sipho Bhanisi.

During this visit, the ED met with the Finance Minister for South Africa and Governor to the World Bank, Honorable Enoch Godongwana. During this meeting, the ED and the Minister discussed the major issues that are in the agenda of the Executive Board. They also discussed EDS25 Constituency specific issues, including the envisaged Ministerial Dialogue to be hosted by Nigeria.

The ED also met with World Bank and IFC officials based in the country. They briefed the ED and his team on the portfolio and some issues facing staff. The ED and his team also met with other stakeholders such as, the Minister for Public Enterprises responsible for SOEs, the CEO of Eskom, the Head of the Banking Association of South Africa (BASA) and some startups that are receiving support from the World Bank. ED also paid a courtesy visit to the Angolan Embassy in Pretoria.
ANNEXURES

COMMUNIQUÉ OF THE INTERGOVERNMENTAL GROUP OF TWENTY-FOUR ON INTERNATIONAL MONETARY AFFAIRS AND DEVELOPMENT, OCTOBER 11, 2021

The global economy is recovering from the pandemic amidst an uncertain path. Growth in per capita incomes of advanced countries and many emerging and developing economies (EMDEs) continue to diverge, largely driven by uneven vaccine access and fiscal space and financial capacity to respond to the crisis. After severe output losses due to the pandemic, growth in many EMDEs is improving largely due to increased domestic demand and higher commodity prices. Nevertheless, social and economic challenges — food insecurity, increasing inequality, persistent unemployment, setbacks in education and human capital development, heightened debt vulnerabilities, conflict and fragility, climate change and inflation risks — weigh on medium-term prospects of most EMDEs. The sudden tightening of financial markets poses additional downside risks. Securing inclusive and sustainable growth will require international cooperation to provide widespread access to vaccines, ensure adequate external financial support and maintain financial market stability.

We call for stronger multilateral cooperation to scale up vaccine supply and ensure equitable access by all countries to affordable vaccines, which is the most critical global public good at this juncture. Concerted international support is essential to mobilize the IMF’s proposed US$50 billion global financing to end the pandemic. We welcome all efforts, including by the Multilateral Leaders Task Force on Scaling COVID-19 Tools — composed of the WBG, IMF, WHO and WTO — to tackle obstacles of reaching 40 percent vaccine coverage in all countries by end-2021, 60 percent by mid-2022 and 70 percent by end-2022. Advanced countries should ensure adequate upfront funding of ACT-A and the COVAX Facility, fulfill their dose-sharing pledges and agree on patent waiver for COVID-19 vaccines and treatments, in order to support global recovery and on humanitarian grounds. We commend the increased lending envelope of the WBG’s Pandemic Facility. We call on the Multilateral Development Banks (MDBs) to urgently support boosting vaccine manufacturing in EMDEs and welcome the IFC’s efforts in this regard. All countries should ease trade restrictions and tackle logistical and supply-chain bottlenecks that impede effective distribution of vaccines, treatments and critical medical supplies.

We welcome the new $650 billion Special Drawing Rights (SDR) allocation to boost global liquidity, which is an important initial global response to the pandemic crisis. We call for a meaningful voluntary channeling of SDRs from countries with strong external positions to low- and middle-income countries that need support. We welcome channeling SDRs through the Poverty Reduction and Growth Trust (PRGT). We also welcome the proposed Resilience and Sustainability Trust (RST), which opens avenues to help low- and middle-income countries vulnerable to structural transformation challenges, including climate-related challenges, to improve resilience and promote balance of payments stability. The RST should complement and add to the Fund’s regular lending toolkit by providing affordable and long-term financing. Going forward, we welcome wider consultations with key stakeholders in deciding the objectives and structure of the Trust, which will be important for the success of the initiative.

We encourage the IMF to explore further options, where feasible, for members to voluntarily channel SDRs through the WBG, other MDBs and other prescribed holders of SDRs, without delaying the RST, and while preserving the reserve asset characteristics of the SDR.

We commend the IMF’s continued efforts to adapt its lending toolkit and advice to the evolving needs of EMDEs. We support the Review of Access Limits and Surcharge Policy. We urge the Fund to correct the regressive and procyclical character of the Surcharge Policy and suspend, or at least substantially reduce, existing surcharges to support pandemic responses. We encourage the IMF to review its financial governance and address equity considerations in its revenue structure, including the role of surcharges. In addition to donor contributions, the IMF should explore predictable sources of funding to enhance the PRGT and increase own resources devoted to capacity building that will particularly benefit low-income countries. We look forward to further discussions on the review of the IMF’s Institutional View on Capital Flows, incorporating the recommendations of the Independent Evaluation Office and the Integrated Policy Framework and aiming to help countries reap the benefits of capital flows while managing risks to ensure stability.

We reiterate the importance of a strong Global Financial Safety Net, with an adequately resourced quota-based IMF at its center. We encourage the timely completion of the 16th General Review of Quotas (GRQ). If previous quota reviews had been timely, EMDEs could have received a higher share of the new SDR allocation. Under the 16th GRQ, we support a substantial quota increase and reduction in reliance on borrowed resources. We also call for an early consensus on a new quota formula and a meaningful shift in quota shares from advanced economies to EMDEs, while protecting the shares of the poorest countries.

The WBG and other MDBs should use the strength of their balance sheets, to the fullest extent possible while maintaining financial sustainability, to scale up lending over the medium-term to meet the exceptional financing needs in low- and middle-income countries. We welcome the WBG’s scaled-up COVID-19 response and proposed financing for the Green, Resilient and Inclusive Development (GRID) approach. We call for an ambitious IDA20 Replenishment to support low-income countries, as well as to strengthen assistance to fragile and conflict-affected states, small states and countries experiencing migration and refugee challenges. The WBG should design innovative solutions—such as de-risking instruments and blended finance — to leverage more private financing, especially for sustainable infrastructure investments. The 2018 IBRD-IFC Capital Package did not anticipate the enormous financing needs of middle-income countries, which have been hit hard by the pandemic crisis. The IBRD and IFC’s capital adequacy should be reviewed in due course. We ask the WBG to develop a medium-term strategy of engagement with middle-income countries, considering their evolving landscape and circumstances.

We welcome the introduction of a global minimum corporate tax to address harmful tax competition and new rules to allocate a portion of taxable profits of multinationals to market countries. We regret that the multilateral solution under the proposed two-pillar approach will not yield meaningful revenues for EMDEs, which could have been an important step toward a fairer and more stable international corporate tax system. We continue to emphasize dispute prevention rather than arbitration. At the
same time, existing arbitration systems need to be redesigned to reflect the interests of developing countries. We also call for stronger international cooperation to curb illicit financial flows.

We look forward to meaningful progress in implementing sovereign debt treatments, with participation of private and official creditors, within the G20’s Common Framework for Debt Treatments (CF). All creditors should implement the CF within more predictable timeframes to give certainty to debtor countries and enable the IMF to quickly provide financial support. We call on further work on improving the sovereign debt resolution framework to encourage countries to seek debt treatments when they need them, increase private creditor participation and address the pro-cyclical role of credit ratings. We encourage the IMF and WBG to strengthen their technical and financial support in the implementation of the CF, in line with their mandates. We ask the IMF and the WBG to develop innovative financial instruments to reduce debt burdens, including debt-for-climate swaps, and support capacity building for domestic resource mobilization and debt management. We encourage the IMF to continue engaging with potential contributors/donors while exploring other innovative mechanisms to replenish the Catastrophe Containment and Relief Trust (CCRT). We urge the WBG, as a leading MDB, to ensure that the LIBOR transition will not add to the financial burdens of EMDEs.

COVID-19 has exacerbated social and economic inequalities between and within countries. Addressing these inequalities is essential to avoid long-lasting scars and build a better and more inclusive future and should be a key area for stronger responses from the IMF, WBG and other MDBs, working with relevant organizations. We call on the IMF to strengthen its attention to the social and distributional consequences of the growth and adjustment programs the Fund supports, as recommended in the recent IEO evaluation. This will help build country ownership of adjustment reforms. We call on the WBG and other MDBs to strengthen assistance to protect the vulnerable, promote gender equity, invest in public health, address the education crisis, which have set back gains in human capital development, close the digital divide and address food insecurity, to avert long-lasting fragility and enhance well-being for all. We urge the IMF and WBG to strengthen their analytical work on the macroeconomic and developmental impacts of migration and refugee flows in source and destination countries and provide advice to design cooperative approaches and national policies.

We welcome the stronger global attention to address climate change and tackle biodiversity losses and look forward to a successful 26th United Nation Climate Change Conference of the Parties (COP26). The report of the Intergovernmental Panel on Climate Change highlights the immense risks of climate change, the impact of which will disproportionately fall on developing countries. The international community’s inadequate transition to a low-carbon world should reflect the principle of common, but differentiated responsibilities and respective capabilities as enshrined in the Paris Agreement. Low carbon pathways should offer opportunities to boost, and not impede, poverty reduction, job-creating growth, and inclusive development in EMDEs. A just green transition will require massive increases in investment and access to affordable low-carbon technology for developing countries, including access on concessional terms. Developed countries should deliver ambitious climate financing to support recovery, meet adaptation and mitigation needs and ensure a just climate transition. They should fulfill their commitment not only to provide US$100 billion annually to developing countries at the earliest possible time, but also increase the share of concessional resources and adaptation finance and aim for greater ambition over the longer term. In addition, significant scaling up of financial and technical assistance from MDBs and climate related funds, such as the Climate Investment Fund, Green Climate Fund and Global Infrastructure Facility, will be important to bolster the investments necessary to jointly achieve both development and climate goals.

We welcome the WBG’s Climate Action Plan and the IMF’s Strategy to assist country efforts to address adaptation and mitigation goals in addressing climate change and achieve the 2030 sustainable development goals. We ask the WBG and IMF to tailor their support to countries’ different circumstances, economic structures, and resource endowments. The principle of a just energy transition needs to be prioritized and incorporated into all climate related programs. The WBG’s shareholders should ensure that the WBG can massively scale up their operational and lending capacity to support developing countries’ Nationally Determined Contributions under the Paris Agreement and enhance sustainable, resilient, and inclusive development. We support the IMF’s update of its bilateral and multilateral surveillance frameworks to recognize the macroeconomic implications of climate risks and actions, and the domestic and cross-border distributional implications of climate actions. We look forward to the Fund’s update of their lending toolkit to enable affordable and longer-term financial support for climate transitions. Finally, we strongly encourage strong collaboration between the WBG and IMF in their areas of mandate.

COMMUNIQUE OF THE DEVELOPMENT COMMITTEE MEETING HELD IN WASHINGTON, DC, OCTOBER 15, 2021

1. The Development Committee met today, October 15, 2021.
2. The global economy is experiencing a strong but uneven recovery, with major uncertainty around the path of the pandemic. Some major economies have rebounded with the help of substantial fiscal support and their ongoing robust vaccination roll outs, while low-income countries (LICs) and many middle-income countries (MICS) continue to see elevated COVID-19 caseloads, vaccine supply bottlenecks, and obstacles to vaccination campaigns. In addition, volatile commodity prices, inflationary pressures, and constraints on fiscal space in some developing countries have further complicated policy options.
3. Over the last eighteen months, the World Bank Group (WBG) has committed [US$157 billion], the largest crisis response in its history, to save lives, protect the poor and vulnerable, support small and medium enterprises, provide social protection, and preserve and create jobs, while helping [over 100 countries] on emergency health response and strengthening health systems. Still, the pandemic has reversed progress toward the twin goals of ending extreme poverty and achieving shared prosperity in a sustainable manner, and toward the achievement of the SDGs. It is estimated that [100 million people] have fallen into extreme poverty in 2020-2021. Large shares of productive jobs have been lost, predominantly for women, and informality, underemployment, and food insecurity have increased. Children, especially girls, have lost schooling, with devastating long-term consequences for human capital and productivity. Because vaccines are critical to saving lives and restarting economies, World Bank financing has been used to purchase and distribute approved vaccines through COVAX, the Africa Vaccine
We recognize IFC leadership in scaling up efforts to boost vaccine production capacity and support medical equipment manufacturers, including through its Global Health Platform. We also commend MIGA for being proactive to increase private sector investments in those countries most in need. We call on both IFC and MIGA to provide innovative instruments and tools to further leverage private capital in response to the crisis.

The significant impact of the COVID-19 crisis on global health and the economy has shown the importance of investing in crisis prevention, preparedness, and response. All countries face risks such as natural disasters and climate-related events, particularly small states. Countries require stronger policies, mechanisms, and institutions to respond to such crises. The current pandemic has also highlighted existing vulnerabilities in fragile and conflict-affected states, as lockdowns and economic contractions have deepened human suffering. Through coordination with development partners, the WBG is uniquely positioned to support countries’ policies and investments. Strengthening fiscal frameworks to better implement countercyclical policies, fostering human capital, developing quality infrastructure, building robust health and social protection systems, and enabling digital infrastructure are essential to reinforcing country resilience. We call on the WBG to continue to provide flexible and rapid financing for the most vulnerable, and harness knowledge and lessons learned, while also addressing challenges and monitoring risks, such as food shortages, cybersecurity, and supporting countries to build the requisite capacity to exercise due diligence in addressing supply chain disruptions.

While responding to the recent human and economic crises, the WBG should continue to steer economies toward a green, resilient and inclusive recovery, and not lose sight of the longer-term development objectives. The increasing impacts of climate change have compounded the pandemic’s adverse effects on poverty reduction, inequality, human capital, and food security, while Small and Island States, LICs, and MICs continue to show acute vulnerabilities. Financing needs in many developing countries continue to be elevated, and a path to sustained recovery remains complex. As resources are scarce, the WBG, along with other IFIs, should promote and advise on essential reforms, including enhancing domestic resource mobilization while fostering an enabling environment for private investment. We affirm the importance of WBG support to countries for a sustained and equitable recovery through implementing and operationalizing a green, resilient, and inclusive development agenda and supporting additional options and mechanisms to increase the WBG’s climate finance, including through increases in mobilized private finance. We ask the WBG and the IMF to continue their diagnosis of the specific needs of LICs and MICs on a case-by-case basis along with providing policy and financing instruments to build back better.

We look forward to the implementation of the WBG Climate Change Action Plan (CCAP), including with strong support toward the fulfilment of Nationally Determined Contributions (NDCs) and National Biodiversity Strategies and Action Plans. The new Country Climate and Development Reports (CCDRs) will be critical to identify gaps as well as key policy and institutional actions needed to deliver on this agenda at the country level. We look forward to the WBG’s implementation approach for alignment with the Paris Agreement including specific timelines and deliverables. We are encouraged by the commitment to increase climate financing, in line with national objectives, on an average of 35%, over the next five years and placing further efforts to mobilize private climate finance. Furthermore, a greener recovery and sustainable medium-term growth requires scaling up actions across the five key systems: energy, agriculture and food, cities, transport, and manufacturing. The CCAP will help countries align climate action, promote climate-linked policy reform, and absorb climate-related technologies, mobilize private capital, where both IFC and MIGA play a key role, and prioritize economic sectors that will help achieve a resilient and low-carbon future. At the same time, it will support the protection of natural capital and biodiversity. We welcome the WBG’s support to countries toward a just transition to a low-carbon economy, while considering each country’s energy needs and mix. We further support the important role of the WBG and the IMF in preparations for the upcoming biodiversity COP15 and climate COP26 meetings later this year.

We aim to conclude an ambitious IDA20 replenishment in December and are greatly encouraged by current negotiations. We call on the solidarity of all partners as additional resources will be critical to ensure that the policy and financial package sustains the post-pandemic economic recovery.

We encourage the WBG and the IMF to continue their efforts to strengthen debt transparency, and debt management capacity, while working to address debt distress situations in many MICs and LICs. As the DSSI expires at the end of the year, we welcome further support by the WBG and IMF, to the implementation actions of the Common Framework, together with the Paris Club.

We are encouraged by the approval of the IMF’s new general SDR allocation, equivalent to about US$650 billion, to address the long-term global needs to supplement reserves, build confidence, and foster the resilience and stability of the global economy. It will particularly help vulnerable countries cope with the COVID-19 crisis. We urge the WBG and the IMF to collaborate, within their respective mandates, to help countries make the best use of their SDRs and to coordinate voluntary SDR channeling efforts towards climate and health outcomes, to magnify the benefits of the allocation for vulnerable countries.

We reiterate our commitment to the highest levels of transparency and accountability regarding the World Bank’s operations. We expect the WBG to take additional steps to assure the integrity of the data they collect. Delivering on this ambitious agenda also requires respectful workplaces where staff are free from harassment and feel comfortable reporting wrongdoing. We call for stronger whistleblower protections and a zero-tolerance policy towards abuse and misconduct. We applaud staff of the WBG for their ongoing commitment to the mission in the face of challenging circumstances.
Similarly, we reiterate our commitment to the highest possible standards of transparency and accountability in World Bank funded projects, including through the rigorous application of the Environmental and Social Framework.

We thank the WBG Executive Directors for their work on the Reviews of IDA Voting Rights and of IBRD and IFC Shareholding. We welcome the consensus around the final report on the IDA Voting Rights review. We accept its recommendation on the proposed new framework and call for its implementation in the upcoming IDA20 replenishment. We also welcome the conclusion of the report on the 2020 Shareholding Review and accept its recommendations, including the timeline of technical work to prepare for the next review. We look forward to the next 5-yearly Shareholding Review which will take place in 2025 in line with the Lima shareholding principles.

We thank Ms. Mia Amor Mottley, Prime Minister and Minister of Finance of Barbados, for her guidance and leadership as Chair of the Committee during the past year. We welcome Ms. Azucena Arbeleche, Minister of Economy and Finance of Uruguay, as Chair of the Development Committee for the November 2021 – October 2022 period.

The next meeting of the Development Committee is scheduled for April 22, 2022, in Washington, DC.

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INTRODUCTION

The impact of the COVID-19 pandemic on the global economy has been unprecedented. Among other actions to mitigate and limit the impact of the pandemic, the availability and even distribution of vaccines to countries is essential to preserve human lives and achieve population immunity to lay the groundwork for a durable exit from the crisis. Furthermore, the COVID-19 pandemic has accelerated the adoption of digital technologies at a pace and scope never previously envisioned, affecting almost all facets of human life. But conversely, it has revealed the stark divide between those who have digital access and those who do not. Such a divide is nowhere more salient than in Africa, where three-quarters of its 1.3 billion population has no internet access. In addition, some 600 million people, especially in rural areas, do not have access to electricity.

Consequently, as availability and access to reliable and affordable electricity and digitalization are interdependent, the continent has had limited ability to deploy digital solutions to ensure uninterrupted delivery of essential services in the wake of the pandemic. As a result, it will face difficulties harnessing modern technology, transitioning into the digital economy, boosting digital development, and achieving the SDGs. That being said, digital technology is rapidly transforming economies and societies and driving economic growth in many countries. Sub-Saharan African countries realize that for the region to grow and compete at the same level as other developing economies, it must increase its energy base to harness digital technology's benefits, spur economic growth and social prosperity and tap the potential of a predominantly young population. The use of digital technologies is increasingly becoming a critical vehicle to improve efficiency and public service delivery, increase productivity in firms, facilitate social transfers to the vulnerable, promote domestic revenue mobilization, enhance tax efficiency and payments systems, ensure financial inclusion, and help address governance vulnerabilities.

Against this backdrop, we, African Governors, during our hybrid meeting chaired by the Honorable Dr. Domatien Ndirububwayo, Minister of Finance, Budget and Economic Planning of Burundi, on August 4 - 5, 2021, under the theme “Digitalization for Inclusive Recovery and Sustainable Growth,” deliberated on the complementarity between energy security and digitalization, to end extreme poverty and boost shared prosperity. We share the common objective that energy security and the climate agenda should go hand in hand towards enabling a “just” transition, using a mix of multiple energy sources that our countries are endowed with, including gas, increasing our countries’ energy base load, the deficit of which hinders African countries from developing robust systems for the digital economy to thrive, drive growth and create jobs. We recognize the Bretton Woods Institutions’ (BWIs) crucial role in supporting our digital transformation agenda and urge the World Bank Group (WBG) to continue financing gas-to-power projects beyond July 1st, 2025, through differentiated financing models and instruments to avoid a One-Size-Fits-All Approach. The availability of adequate, credible, and predictable climate finance is critical to ensure that African countries deliver on climate action. Appropriate technical assistance and capacity development will also remain important for African countries, especially oil producers and those dependent on coal for electricity production. We thank you, Mr. President and Ms. Managing Director, for the support provided by both the World Bank Group (WBG) and International Monetary Fund (IMF) on digital transformation initiatives, workstreams, programs, and projects. In the spirit of our partnership, our 2021 Memorandum seeks firm commitments and additional support from the BWIs in the areas of (1) Mobilizing Resources for Digital and Energy Infrastructure; (2) Enhancing Africa’s Capacity to Harness Potentials of Digitalization; and (3) Mitigating Risks from all Digital Money, including Foreign Central Bank Digital Currencies (CBDCs) to ensure safety, trust, financial integrity safeguards, financial stability, monetary autonomy, and appropriate fiscal receipts. We believe the BWIs’ support will help African countries to build back robust, resilient and dynamic economies that will ensure sustainable growth and development.

Mobilizing Resources for Digital Infrastructure

Fast-tracking adjustment, transition, and adaptation to the digital economy requires rapid and substantial investment. Yet, most African governments' budgets are stretched, forcing tight tradeoffs among competing priorities within scarce resources. This situation is even made worse for those governments whose fiscal space is further constrained by the need to redirect resources to the COVID-19 pandemic recovery. Against this backdrop, the BWIs’ extra support is sought in mobilizing resources through i) public financing, ii) private capital, and iii) debt reduction to fund Africa-wide digital and energy infrastructure and digitalization support.
a. **Public Financing**

Focusing on domestic resource mobilization (DRM), including stemming illicit financial outflows from Africa, we, African Governors value the BWIs expertise, resources, and assistance in helping African countries reform tax policies and modernize tax administrations. We acknowledge the Bank’s work undertaken with other development partners such as the IMF and the Organization for Economic Co-operation and Development (OECD) on public expenditure. We further recognize the IMF and Bank’s support through tax administration diagnostics and analytical work, and digital systems for tax collection and to improve tax policy and administration, improving their tax collection capacity and increasing spending efficiency and enhancing fiscal management. We look forward to the speedy conclusion of the historical work by the OECD/G20 Inclusive Framework to address tax challenges arising from the digitalization of the economy.

1. Going forward, we call upon the BWIs to also support our countries’ efforts to curb tax evasion and avoidance, stem illicit financial flows (IFFs), and recover stolen assets. We further solicit the support of the WBG and IMF in strengthening the financial and institutional apparatus of revenue-earning public entities and in accessing private finance, particularly in the absence of viable public-private partnerships (PPPs).

2. We support an ambitious IDA-20 replenishment and an adequately funded, robust Poverty Reduction and Growth Trust (PRGT) that will enable the timely stabilization of economies and enable a quick recovery. As the WBG and the IMF determine their next budgets, we urge the BWIs to make sure that DRM and IFF programmes are adequately funded. We ask the WBG to assist our countries in establishing and operating an effective and inclusive Regional Hub on DRM to: i) enhance collaboration and knowledge sharing in partnership with relevant development actors, and ii) strengthen the implementation of differentiated country-specific goals on DRM.

3. On IFFs, Africa loses billions of US dollars each year due to tax avoidance by multinational companies, particularly in the extractives industry and efforts to reduce illicit financial flows and tax evasion are insufficient. Therefore, we call upon the WBG to promote and support a more inclusive International Tax Cooperation (ITC) system that is better equipped to hold companies accountable for paying their fair share of taxes; We also urge the WBG and IMF to support the Africa-wide mobilization of digitalization technologies, including satellite data and digital payments, which could be used to monitor corporate reporting, reduce corruption, illicit financial outflows, and tax evasion or avoidance. We further request IMF current and capital account (Balance of Payments) analysis on illicit flows and tax avoidance, using digital data, machine learning, and artificial intelligence to more effectively track these flows from source through to the stolen assets they end up in, and WBG’s extra support to help us strengthen governments’ capacity to mitigate the risk of illicit financial activities resulting from trade mis invoicing by corporations that deliberately misreport the value, quantity, or nature of goods and services to evade taxes, take advantage of tax incentives, avoid capital controls, or launder money.

4. We also call upon the IMF to enhance its support to African countries with specific tools and products that promote the development and upscaling of digital solutions across the fiscal, monetary and financial policy operations spectrum, including in relation to public procurement, domestic revenue mobilization, protection of intellectual property rights and personal data, safe and inclusive finance, big data management, and developing early warning systems capable of detecting potential cyber risks.

5. We call upon the IMF to prioritize Sub Saharan Africa (SSA) in providing advice, technical assistance and other capacity building efforts needed to prepare African countries to exploit new digital finance/digital money opportunities while reforming macroeconomic policies and regulation, to create an enabling, safe and stable environment for the expansion of digital money and digital activity.

b. **Private Sector Capital**

1. We acknowledge the World Bank’s development initiatives, including Billions to Trillions, the Cascade Approach, and Maximizing Finance for Development (MFD), which seek to crowd-in private financing. Still, our governments are unable to bridge growing infrastructure gaps. To this end, we exhort the WBG to intensify efforts in mobilizing substantial private resources from global institutional investors, like pension funds and insurance companies; help in creating investable assets (like digital infrastructure) on behalf of private capital, and in embedding de-risking as the key avenue for private investment. We further call upon the WBG, especially the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA), to help our governments de-risk digital infrastructure investments using various financing instruments that are most commercially attractive to private investors, including blended finance, Digital Infrastructure Asset Class, and PPFs. We also welcome new innovative measures to tackle specific challenges faced by African MSMEs.

2. We acknowledge the IMF’s recent analyses of financial flows and drivers and call upon the IMF to support African countries’ efforts to reduce information asymmetries that raise the cost of financing and hamper inward investment. We urge IMF to design and enable a SSA regional investment data portal that investors and markets can use to reduce information asymmetry (information and data gaps), motivate and facilitate increased flows of investment and financing to SSA, and lower perceived risk and financing costs. Reliable, timely, high-quality macro and data and packaged reporting pertinent to general, energy and environmental, social and governance (ESG) investments could be availed in a dedicated regional data and information system. The portal could host IIF investment support tools and use new technologies, applying data analytics, artificial intelligence and machine learning to augment traditional data and generate enhanced ESG and other investment data and information products, aiding investors’ assessments of investment opportunities.

3. We urge more effective engagement by IFIs with rating agencies to help reduce the prohibitive ‘Africa risk premium’. IMF analysis could be brought to bear to help regulators ensure fairer ratings, by requiring rating agencies to go beyond “ticking checklists”, to better informed risk assessments with improved assessment methodologies, and more evenhanded treatment of countries across regions.
c. Reduction of Rising Debt Burdens

1. We value the bold initiatives and swift actions taken thus far by the BWIs to tackle debt vulnerabilities within the Common Framework for Debt Treatments agreed by the G-20 and the Paris Club acting upon the agreement as stated in the July G20 FMCBG communiqué. We call for increased multilateral efforts to improve the architecture for sovereign debt resolution to include private creditors and other official bilateral creditors in providing debt treatments on terms comparable to what is provided under the Common Framework. However, the rising debt burden continues to hamper our countries’ efforts to finance digital infrastructure. We welcome the most recent approval of a general allocation of IMF’s Special Drawing Rights (SDRs), unprecedented by its size (US$650 billion), expected to increase reserve assets of African countries by US$33 billion. We encourage the IMF to work quickly with all relevant stakeholders to explore options for voluntarily rechanneling SDRs to countries needing liquidity, including middle-income countries. We also call for more flexibility on debt and deficit ceilings where appropriate. Furthermore, we exhort the IMF to support voluntary sovereign-debt buybacks and debt service suspension of both principal and interest payments. We encourage the IMF to continue to provide the necessary capacity development support to strengthen debt management and enhance transparency in debt recording. We welcome the IMF’s recent approval of a concessional financing package and policy reforms, strengthening its capacity to support low-income countries during the pandemic and recovery.

We also invite the IMF to establish a debt-for-digital infrastructure swap, create and operate a Digital Infrastructure Fund for Africa (DIFA), where annual payments from African countries’ external debt would be swapped into. The DIFA would be an additional funding source for African countries’ investments in digital infrastructure. The Addis Tax Initiative and the Financing for Development Forum in 2015 emphasized the centrality of DRM for financing digital infrastructure, particularly in the current and post-COVID-19 era.

Enhancing Africa’s Capacity to Harness Potentials of Digitalization

Deliberate policy actions are necessary to maximize benefits and mitigate potential risks to create an enabling environment that allows the generation and upscaling of appropriate digital solutions with the potential to address development challenges. Boosting human capital in African countries is crucial to enable the broader participation of all segments of the population in the digital economy. Further, enhancing the capacities of key players in the digital economy ecosystem promises to leverage digitalization to transform African economies and improve citizens’ welfare outcomes.

We greatly acknowledge the WB’s Digital Economy for Africa Initiative (DE4A), which is tailored to support the implementation of the Africa Union (AU)’s Digital Transformation Strategy (DTS) for Africa. DE4A, if adequately implemented, holds the promise to contribute significantly to the achievement of the SDGs by ensuring that every individual, business, and government in Africa will be digitally enabled by 2030. We appreciate the Bank’s efforts to roll out digital economy diagnostics to identify gaps in foundational elements of the digital economy that a respective country needs to strategically invest in, to build a robust digital economy. We expect these diagnostics—followed up by relevant digital economy operations and complemented by other WBG’s initiatives such as the Human Capital Project as well as GovTech—to help African countries identify and invest in areas critical in building their capacity to leverage digital transformation. While cognizant of the deliberate efforts by the WBG and IMF to ensure that African countries have the capacity to actively participate in the Fourth Industrial Revolution driven by digital technologies, we would like to see the two institutions sharpen their focus in areas identified hereunder:

1. We urge the WBG and the IMF to provide advisory and financial services that would capacitate African countries to undertake policy reforms to create an enabling policy and regulatory environment which would facilitate the private sector to generate and upscale appropriate digital solutions that could address development challenges, maximize benefits, and mitigate potential risks of accelerated digitalization. In this regard, we request the BWIs to support African countries with specific programs that promote the development and upscaling of digital solutions, protect intellectual property rights and personal data, address inefficiencies, and develop early warning systems capable of detecting potential cyber risks.

2. We encourage the WBG and IMF to invest in programs that would boost human capital and enhance the capacities of key players—governments and policymakers, the private sector, programers, financiers, entrepreneurs, and consumers in African countries to enable broader participation of all segments of the population in the digital economy. In this context, we urge the WBG to support African Governments’ efforts to integrate coding and digital education, and innovation into the curricula of all levels of education. We further urge the WBG to support African countries to improve regular on-the-job training and e-learning to facilitate rapid adoption and effective use of digital technologies and solutions.

3. We urge the Bank to intensify its efforts to assist African economies to address the digital divide challenges in the continent by supporting the development of digital literacy as part of its human capital programs. The digital divide within and between African countries has denied the continent the opportunity to use digital technologies to fight the COVID-19 pandemic. It has also disrupted the continuity of social services and businesses. In this regard, therefore, addressing the digital divide should go beyond connectivity or internet access to include hard and soft infrastructure, applications, and services.

4. We ask the BWIs to leverage the African Continental Free Trade Area (AfCFTA) and other regional trading blocks to help African countries harmonize their policies, legislations, and regulations to support the development of a secured Digital Single Market in Africa, corresponding Africa-wide digital money and a payments framework that will optimize macroeconomic benefits for the region and avert destabilizing effects. Such a market is critical in enabling Africa to strengthen intra-continental trade and investment, deepen financial inclusion and generate more jobs for its youthful population.

5. The pandemic has triggered an e-commerce boom in Africa and the rest of the world, increasing e-commerce companies and platforms activity. We, therefore, call on the BWIs to support Africa’s dynamic small and medium-sized enterprises and start-up ecosystems so that they can thrive in a rapidly expanding digital economy. We also encourage the WBG to support the
the Fund. While we continue to appreciate the work of both institutions, including those in training, digital money. The role of the World Bank on development, financial inclusion, etc., syncs well with collaboration with the World Bank on the joint development of reference notes on risks stemming from during the IMF/WB Annual and Spring Meetings. In the same vein, we take positive note of the Fund’s Discussions Papers, Fintech Notes, and How-To Notes, as well as engagement with our governments Furthermore, we appreciate the Fund’s contribution to the international policy discourse through Staff Mitigating Stable Coin and Central Bank Digital Currency (CBDC) risks ensuring safety, trust, financial integrity, and safeguards

While the inherent benefits of digitalization are evident, it is important to be mindful of the associated downside risks and take proactive measures to avert their materialization. In this context, the role of the BWIs remains crucial to support the membership in leveraging the digital transformation while mitigating potential downside risks. In addition, ensuring that our governments are adequately equipped with relevant legislation, policies, and best practices through policy support and design will be essential. This would safeguard the financial and monetary sectors, the external sector, and fiscal policies against significant downside risks when private digital money gains traction and Central Bank Digital Currencies are being piloted or adopted by some countries. Leveraging its mandate to help ensure international financial and monetary stability, we appreciate that the IMF intends to use its surveillance mechanisms, including Article IVs and FSAPs, to engage its membership on the rise of digital money and the attendant risks arising from its adoption.

Furthermore, we appreciate the Fund’s contribution to the international policy discourse through Staff Discussions Papers, Fintech Notes, and How-To Notes, as well as engagement with our governments during the IMF/WB Annual and Spring Meetings. In the same vein, we take positive note of the Fund’s collaboration with the World Bank on the joint development of reference notes on risks stemming from digital money. The role of the World Bank on development, financial inclusion, etc., syncs well with the Fund. While we continue to appreciate the work of both institutions, including those in training, we would like to point out the following specific areas for focus, going forward:

1. We call on the BWIs to develop a regional digital work program for Sub-Saharan Africa (SSA). As reported by the IMF, SSA is closing the digital gap with the rest of the world, expanding internet penetration. The regional program will help promote the global FinTech agenda in the region, address new challenges and develop a pipeline of projects and a centralized data depository for relevant information on Global Regulatory Initiatives, International Standards, and other frameworks that can be easily accessed by our governments.

2. We request the BWIs to support the SSA governments’ efforts to tackle cybersecurity, which remains a growing concern for us as it poses risks across the board, including in the bank and non-bank financial sectors, even as countries increase their reliance on digital technologies to provide critical services to firms, households, and governments. Therefore, we see a collaborative role with the BWIs in assessing the cyberthreat landscape and developing cybersecurity regulations and protocols. In addition, a similar collaborative effort is necessary to address the security of physical, digital infrastructure, which is also becoming increasingly critical.

3. Finally, we urge the BWIs to support African countries’ concerted efforts to modernize tax systems to consider the creation of adequate and fair tax value in the digital economy.

4. Considering implications for payments, monetary policy, financial stability, and fiscal receipts, we urge the BWIs to partner with us to prepare for the rise of digital money, including the deployment of Central Bank Digital Currencies (CBDCs). Our countries will need IMF support and guidance across all macroeconomic policies in addressing risks, from private digital money (stable coins, etc.) and foreign CBDCs backed by dominant currencies. They will also need support on numerous considerations, including financial stability, digital dollarization and monetary autonomy, capital flows, and fiscal revenues. Given the rapidly evolving issuance of CBDCs across various regions, in the four BWIs would facilitate exploratory work to determine whether a country has the enabling environment to issue CBDCs or not, in addition to handling potential spillovers from other CBDC providers. Specifically, we urge the BWIs to support CBDC design that fulfills principles such as equity, accessibility, robustness, safety, efficiency, and privacy. Guidance on pre-conditions and the relevant legislation to enable the operational and legislative framework necessary to introduce CBDCs successfully will be needed.

5. We continue to leverage the expertise of the BWIs in amending our respective legal and regulatory frameworks and stepping up our supervisory practices to embrace the concept of digital money as an innovative medium supporting the deployment of critical public and private goods and services. We hope this partnership will culminate in effective public policies which overcome service disruption, support business activity and growth, and improve cross-border activity, while mitigating economic risks relating to money laundering and terrorist financing, ameliorating threats to consumer protection, and addressing data privacy concerns.

6. We call upon the BWIs to collaborate with our governments to resolve challenges related to cross-border payments. We recognize that cross-border payments remain expensive, slow, and opaque, and transaction costs, particularly in SSA, remain above global averages. Considering that the IMF engages with other international organizations on cross-border payments and multilateral payments, it is essential to explore how policymakers can leverage work in those areas including existing platforms, while addressing digital money spillovers from other countries.

6. We urge the BWIs to note that investing in Africa-wide broadband internet connectivity (including satellite-driven mobile connectivity) that ensures universal access to affordable, high-quality, and high-speed internet is also key. Therefore, we ask the IMF and WBG to collaborate to help address this issue for SSA. Without this support, digital divergence will continue.
CONCLUSION

The BWIs, are well placed to provide the necessary expertise and financial support to our countries in all aspects of digitalization to support economic recovery, building forward better and sustainable development. However, since availability and access to electricity are interlinked with digitalization, we urge the WBG to expand and sustain its investments in natural gas projects to meet growing energy demands in complementing the renewables whose intermittency and unavailability 24/7 in the absence of affordable battery storage impedes digitalization in areas without connection to a robust grid. Moreover, given the uncertainty, risks, and opportunities of technology trends, the IMF and World Bank Group are among the few global actors who can serve as advisors to clients and partners in supporting the implementation of new sustainable pathways to finance and development. We, therefore, urge both institutions to fully exercise their convening power and innovatively and flexibly deploy their supportive instruments towards increased energy access for the digital transformation of Africa.